

PROGRAM EVALUATION REPORT

WEST VIRGINIA

Drinking Water Treatment Revolving Fund Program

STATE FISCAL YEAR 2006

FINAL

August 2007

**U.S. Environmental Protection Agency
Region III
Philadelphia**

TABLE OF CONTENTS

TABLE OF CONTENTS	2
EXECUTIVE SUMMARY	3
INTRODUCTION.....	5
BACKGROUND	6
SCOPE.....	7
OBSERVATIONS	9
PROGRAMMATIC AREAS REVIEWED	9
PUBLIC HEALTH BENEFITS.....	9
PROGRAM PACE	10
SMALL AND DISADVANTAGED ASSISTANCE	12
OPERATING AGREEMENT	12
MINORITY/WOMEN-OWNED ENTERPRISES	13
ENVIRONMENTAL REVIEW	13
SET-ASIDE ACTIVITIES.....	14
FINANCIAL AREAS REVIEWED.....	16
HEALTH OF THE FUND	16
DWTRF FINANCIAL INDICATORS	18
AUDITS OF THE FUND	20
SET-ASIDE ACCOUNTING AND INTERNAL CONTROLS.....	22
FINANCIAL CAPABILITY	22
LOAN MONITORING	22
DISBURSEMENTS AND COLLECTION OF LOANS RECEIVABLE.....	23
GRANT COMPLIANCE AREAS REVIEWED.....	25
PAYMENTS.....	25
UNEXPENDED GRANT BALANCES.....	25
STATE MATCH	27
BINDING COMMITMENTS	27
FINANCIAL STATUS REPORTS	28
FEDERAL CASH TRANSACTION REPORTS	28
ADMINISTRATIVE COSTS.....	28
DRINKING WATER NATIONAL INFORMATION MANAGEMENT SYSTEM.....	29
ANNUAL REPORT	29
RECOMMENDATIONS AND REQUIREMENTS.....	30
ACTION ITEMS FOR BPH	30
ACTION ITEMS FOR EPA	30
PRIOR YEAR ACTION ITEMS.....	32
ACTION ITEMS FOR BPH	32
ACTION ITEMS FOR EPA	32

PROGRAM EVALUATION REPORT
West Virginia
Drinking Water Treatment Revolving Fund

STATE FISCAL YEAR 2006

EXECUTIVE SUMMARY

This Program Evaluation Report (PER) is the U.S. Environmental Protection Agency (EPA) evaluation of the West Virginia Bureau of Public Health's (BPH's) Drinking Water Treatment Revolving Fund (DWTRF) program. The report identifies strengths and areas for improvement in the program. The review covers the period July 1, 2005 through June 30, 2006. EPA conducted its on-site review from April 17 to 19, 2007.

The annual review process included the consideration of BPH's Biennial Report, EPA's evaluation of the program, and EPA's issuance of this PER.

The scope of this year's program review was established in accordance with EPA's Interim Final Annual Review Guidance and the national State Revolving Fund (SRF) Checklist to ensure a detailed review of all program components.

As of June 30, 2006, total capitalization for the DWTRF project fund and drinking water set-aside program activities is \$80,459,640, which consists of Federal grant funds and state match. During FY 2006, BPH closed three loans for a total of \$15,111,213. On a cumulative basis, the State has made 31 loans totaling \$53,545,971.

BPH is managing the DWTRF program effectively and efficiently. EPA, however, is concerned that the low Return on Equity (ROE, 1.60%) resulting from current program policies will limit the financial growth of the Fund. A key variable is the very low average interest rates on loans. More significantly, an ROE below the rate of inflation may result in a reduction of the purchasing power (i.e., value of loans which can be made) of the Fund over time. The program exhibits sound financial strength, including:

- Strong accounting and financial structure;
- Good financial capability review and loan monitoring processes;
- Annual independent and periodic internal financial and compliance audits; and
- Prudent investment policies.

During FY 2006, the State increased its program pace to 76%, up from 63% in FY 2005, and met the binding commitment (BC) requirement. EPA commends BPH for

taking steps to increase program pace and for making DWTRF loans to small systems and disadvantaged communities. Nevertheless, BPH still lags far behind the national average (86%) for loan closings as a percentage of total funds available.

The review identified several areas for improvement in program implementation. Specific actions for BPH to address are outlined below. EPA requests that BPH provide a plan of action to EPA within 30 days of receipt of the final FY 2006 PER which outlines steps that BPH has taken or will take to expeditiously address the identified action items. Key required and recommended action items include:

- Submit a program pace implementation plan which identifies the priorities and schedule for carrying out the recommendations in the report “Increased Utilization of West Virginia’s Drinking Water Treatment Revolving Fund”;
- Re-assess how existing awarded set-aside funds can effectively be used to increase loan pace (e.g., increased DWTRF program marketing and assistance to loan applicants to reduce time to loan closing) and support other drinking water program priorities in order to expedite the rate of expenditure of set-aside funds; review the need for additional funding in the Program Management and Local Assistance set-aside categories from future grants; and if these measures do not sufficiently increase the rate of set-aside funds expenditure, consider transferring surplus set-aside funds to the DWTRF project fund;
- Take appropriate steps to expedite expenditure and cash draws of Federal funds available for the DWTRF program;
- Provide EPA with supporting documentation so that EPA is able to reconcile the FSRs and FCTRs; and
- Make the necessary adjustments regarding administrative costs between the Annual Report and DWNIMS and provide EPA corrected reports.

EPA commends the State for resolving all action items identified in the FY 2005 PER (see page 32) in a timely manner.

EPA reminds BPH that it should be implementing steps to provide additional information in future capitalization grant applications and semi-annual drinking water program progress reports related to set-aside management activities as discussed in “Drinking Water State Revolving Fund Program Set-Aside Workplan Supplemental Guidance” issued on August 14, 2006.

INTRODUCTION

This PER is the EPA evaluation of West Virginia's DWTRF program. A PER documents the annual review process, as required by the Safe Drinking Water Act (SDWA).

The purpose of an annual review is to assess the State's management of the program, including:

- Performance in achieving goals and objectives identified in the Intended Use Plans (IUPs) and Annual Report;
- Compliance with the terms of the capitalization grant agreements, operating agreement (OA), and regulations;
- Financial status and performance of the Fund and set-aside accounts;
- Status of resolution of prior year PER action items;
- Correction of audit findings and recommendations; and
- Discussion of future direction and initiatives for the program.

This PER identifies strengths and areas for improvement in the program. The annual review covered the period July 1, 2005 through June 30, 2006. EPA conducted its on-site review from April 17 to 19, 2007.

The annual review process included EPA's review of West Virginia's Annual Report, evaluation of the State's program, and the issuance of this PER.

BACKGROUND

The SDWA Amendments of 1996 authorized funding for states to establish a Drinking Water State Revolving Fund (DWSRF) program to assist systems to finance the cost of infrastructure needed to achieve or maintain compliance with SDWA requirements and to protect public health. The DWSRF program includes both construction funds and set-aside funds for support of state-wide drinking water program activities.

Under Title 64 of the West Virginia Code, BPH is responsible for implementing and managing the DWTRF program in accordance with the requirements and objectives of SDWA. The program resides in the Department of Health and Human Resources (DHHR) which provides management for SRF financial matters, including grants management and disbursement of funds. Additional coordination with offices of the State Treasurer and the State Auditor ensure inter- and intra-agency coordination, management, and oversight as well as program integrity.

In addition to the DWTRF construction fund, BPH administers several set-aside (or non-project) accounts used for: (1) administration of the loan program, (2) small system technical assistance, (3) state program management, and (4) local assistance and other state activities.

Some of the goals of the DWTRF include:

- Provide financial assistance to eligible drinking water systems to eliminate drinking water problems and improve drinking water quality in the State;
- Continue implementation of the Source Water Protection Plan through community and non-community ground and surface water assessments;
- Continue implementation of the Capacity Development Strategy, assisting existing and newly created public water supplies in acquiring and maintaining capacity to comply with SDWA; and
- Market and develop the DWTRF to ensure the long term health of the fund.

SCOPE

The FY 2006 annual review of West Virginia's DWTRF program was conducted in accord with EPA's SRF Interim Final Annual Review Guidance to ensure a detailed review of all program components.

The programmatic review included the following topics:

- Public health benefits,
- Integration of DWSRF and Public Water System Supervision (PWSS) programs,
- Program pace,
- IUP goals,
- Staffing,
- State environmental review procedures (SERP),
- Cross-cutter compliance,
- Set-aside financial management, and
- Sustainability/asset management.

The grant compliance review included the following requirements:

- Acceptance of payments,
- State match,
- Binding commitments (BCs),
- Financial Status Reports (FSRs),
- Federal Cash Transaction Reports (FCTRs),
- Administrative costs,
- Data management, and
- Annual Report.

The financial review included the following matters:

- Financial health of the Fund,
- Perpetuity,
- Financial indicators,
- Audits,
- Loan monitoring,
- Collections on loans receivable,
- Financial management policies, and
- Capability assessment system.

To accomplish the review, EPA:

- Held discussions with State staff;
- Reviewed the following documents:
 - BPH's Annual Report,
 - IUPs,
 - Project Priority Lists,
 - Drinking Water National Information Management System (DWNIMS) database,
 - FSRs,
 - FCTRs, and
 - EPA grant payment records.
- Reviewed the following project files:
 - City of Weirton, Belleview Tank Project
- Reviewed the following financial files:
 - Shepherdstown Water Project,
 - Gilmer County Public Service District (PSD), and
 - City of Kenova

EPA conducts separate reviews of the technical aspects of the drinking water program activities undertaken with set-aside funds in conjunction with its review of the State's PWSS program. The current DWSRF review examined the administrative and financial aspects of the set-aside activities.

OBSERVATIONS

PROGRAMMATIC AREAS REVIEWED

PUBLIC HEALTH BENEFITS

As with all Federally-funded programs, the DWSRF program is undergoing additional scrutiny regarding its efficiency and effectiveness in providing public benefits. For the last several years, Region 3 has requested the states to include narrative discussion of selected projects in their Annual/Biennial Reports which describe the project purposes and expected public health benefits of projects receiving DWSRF assistance. Starting in FY 2005, EPA requested states to identify and enter into DWNIMS aggregate information relating to the compliance purpose of projects. Through the State/EPA SRF Workgroup, EPA recently initiated a subgroup to examine options for better documenting the public health benefits of DWSRF projects on a state and national basis. EPA is developing guidelines for DWSRF benefit descriptions and will share drafts and examples with the states.

Consistent with EPA's supplemental guidance, BPH described the public health benefits of the drinking water projects in its IUPs and in its Interim Annual Report. In its Annual Report, the State highlighted the Eastern Wyoming PSD serving portions of Logan and Wyoming Counties, a major drinking water consolidation success story.

The project involves the construction of a new regional water plant, three storage tanks, and over 100,000 linear feet of water lines. When completed, the project will consolidate 11 current failing water systems. Consolidation was the most cost-effective alternative for serving the rural area. Many of the water systems being consolidated into the Eastern Wyoming PSD are abandoned, flooded, and in receivership. Several of the systems have been deteriorating since the 1940's, or earlier, when most of the systems were established. A significant factor in the drinking water infrastructure decline was the closure of area mines and other industrial facilities.

There is no existing permanent surface water treatment plant serving the Eastern Wyoming PSD. The existing portable treatment unit at Mullens presents a risk of waterborne diseases from microbiological contaminants. The majority of the district operates under a boil water order. Lacking access to public water, residents in several portions of the District's service area currently use wells, many of which have tested positive for microbiological contamination.

The PSD received a 30-year, \$3.5 million DWTRF loan for the project as well as other grants and loans. The project is being constructed in several phases. The first

phase of this project includes the purchase of the eleven failing water systems, followed by the upgrade of the Mullens water system.

The second phase of this project includes consolidation of all the water systems into a single system (the Eastern Wyoming PSD) and construction of a regional water plant, three 300,000-gallon storage tanks, and approximately 106,000 linear feet of various sized water lines, 84 fire hydrants, valves, and individual customer meters.

The Eastern Wyoming project will provide potable water service to approximately 1,804 customers in the City of Mullens and the unincorporated communities of Allen Junction, Amigo, Beechwood, Blackeagle, Corinne, Stephenson, Wyco and surrounding areas of Wyoming County. When this project is completed, all residents will have a safe and dependable potable water supply.

PROGRAM PACE

During FY 2006, BPH continued to focus on improving program pace during FY 2006. BPH closed three drinking water loans totaling \$15,111,213. BPH's fund utilization rate (program pace) is 76%, an improvement over 63% for FY 2005, but lower than the national average (86%).

The State prepared a comprehensive report entitled "Increased Utilization of West Virginia's Drinking Water Treatment Revolving Fund," in response to an action item in the FY 2005 PER. The report analyzed the State's current DWTRF program application process and recommended several options for accelerating program pace. BPH has begun to implement some of the findings, but the report does not explain BPH's priorities or establish a schedule for implementing recommendations to improve pace. EPA commends BPH for performing a thorough program analysis for improving its program pace and fund utilization rate.

Steps the State has taken to increase pace are outlined below. EPA recommends that BPH develop a plan for implementing other steps to increase the pace of DWTRF loans, including ways to use set-aside funds to increase marketing of the DWTRF program and assistance to applicants to move them more quickly to loan closing.

Action Item: BPH shall submit a program pace implementation plan which identifies the priorities and schedule for carrying out the recommendations in the report "Increased Utilization of West Virginia's Drinking Water Treatment Revolving Fund."

Implementation of Project Tracking System

BPH has entered project milestone information into the tracking system that will allow the State to identify follow-up dates to ensure that loan applications are progressing. BPH has communicated with Northbridge (the EPA contractor) concerning additional training on how to maximize use of the system as a program management tool. Although BPH has not yet done so, the State can also use the system to enter data directly into DWNIMS.

Coordination with Infrastructure and Jobs Development Council (IJDC)

By working closely with the IJDC (the State's funding clearinghouse), BPH has ended the practice of "rate shopping" whereby applicants seek out multiple State and Federal funding agencies for the best rates, thus slowing the pace of the DWTRF. IJDC has instituted procedures to prevent this practice. BPH worked with the IJDC to set the appropriate funding types, amounts, and terms for projects.

Planning and Design Loans and Grants

BPH has explored how other states have offered planning and design loans and planning grants from the set-asides. In particular, BPH expressed interest in the small grants (\$10,000-\$25,000) offered by the Virginia Department of Health for preliminary engineering reports for small drinking water systems. This is a capacity development activity eligible for funding from the administrative/technical assistance (4%), the program management (10%) or local assistance (15%) set-asides.

Improvements to the Priority List Development Process

BPH screens all water projects for the IJDC. Prior to FY 2006, BPH used the IJDC comprehensive funding list which included many applicants with no interest in the DWTRF program. Beginning in FY 2006, rather than using the IJDC application to identify potential DWTRF loan applicants, BPH developed a separate application to generate its project priority list. This approach will help to better target the DWTRF program.

Expedited BC Process

In past years, BPH waited until EPA awarded the capitalization grant before issuing BC letters to loan applicants. BPH now sends BC letters prior to grant award, thus speeding up the process.

BPH also now intends to accept applications throughout the year in order to move applicants more quickly through the loan process.

Marketing

Beginning in FY 2006, the State conducted telephone calls with water systems' engineers to discuss available DWTRF funding. This increased the visibility and local awareness of the DWTRF program. Other program marketing efforts during FY 2006 included:

- Presentations at the annual West Virginia Rural Water Association Conference and the IJDC meetings;
- A display at the annual West Virginia EXPO for engineers and consultants;
- Articles in the State and National Rural Water Association magazines;
- Outreach to water treatment operators using the BPH and Public Service Commission Newsletters; and
- A 12-month training calendar for water treatment operators in conjunction with the West Virginia Drinking Water Education and Training Coalition.

SMALL AND DISADVANTAGED ASSISTANCE

BPH has done an excellent job of meeting the needs of small and disadvantaged drinking water systems. The State has exceeded the SDWA minimum requirement to provide 15% of available funding to small systems (less than 10,000 population). As of June 30, 2006, the State provided 28 DWTRF loans totaling \$41 million to small communities, or 77% of total loan dollars. This exceeded the national average of 39% of funding to small systems, placing BPH among the top ten states in small system funding. BPH also provided 22 loans totaling \$35.7 million to disadvantaged systems, representing 67% of total loan dollars. This exceeded the national average (18%) and placed the State among the top five states for disadvantaged funding. The State's terms for disadvantaged communities include a minimum interest rate of 0% and repayment terms of up to 30 years. EPA commends BPH for its commitment to providing DWTRF assistance to small and disadvantaged communities.

OPERATING AGREEMENT

BPH prepared and submitted to EPA for consideration proposed amendments to the Operating Agreement (OA).

Action Item: EPA will review BP's proposed amendments to the OA and work with the State to adopt the amended OA.

MINORITY/WOMEN-OWNED ENTERPRISES (M/WBE)

BPH must comply with the M/WBE requirements, which include:

- Negotiating fair share goals;
- Ensuring that recipients of Federal funds apply the six “affirmative steps” so that qualifying M/WBE firms have an opportunity to compete for prime contracts and sub-contracts; and
- Providing quarterly reports to EPA regarding utilization of M/WBE businesses.

BPH successfully negotiated new M/WBE fair share goals for FY 2007 during the fall of 2006. These objectives will remain in effect through September 30, 2009. BPH submitted its quarterly FY 2006 M/WBE reports on time.

BPH developed and submitted an M/WBE compliance plan consistent with Regional M/WBE guidance that was issued on December 8, 2005. EPA reviewed and accepted the State’s plan in July 2006.

M/WBE Project File Review

EPA reviewed M/WBE documentation in the State’s official project file for the City of Weirton, Belleview Tank Project. The borrower solicited prime contractors for several aspects of project construction. Printouts from the West Virginia Department of Environmental Protection M/WBE website showed that these firms were certified M/WBE companies at the time of the solicitation. The project file included sufficient documentation demonstrating that the loan recipient had made adequate M/WBE solicitation efforts to follow the six affirmative steps.

Based on the review of the Weirton file, EPA concludes that the documentation in the file was sufficient to show compliance with all the required M/WBE affirmative steps for selection of the six prime contractors. There were no subcontracts.

ENVIRONMENTAL REVIEW

EPA reviewed the State’s files for the City of Weirton, Belleview Tank Project for consistency of the BPH environmental review documentation with its approved SERP. The file included a cross-cutter checklist to document compliance with each cross-cutting requirement and sufficient documentation to show that BPH’s issuance of a Finding of No Significant Impact for this project was consistent with the SERP.

SET-ASIDE ACTIVITIES

The table below shows the State's progress in obligating and expending funds on a cumulative basis for each set-aside category. As of June 30, 2006, the national cumulative average rates of state set-aside expenditures were 68.6% for Technical Assistance, 72.9% for Program Management, and 61.7% for Local Assistance. The table shows that BPH's cumulative expenditure rate is much higher than the national average for the Technical Assistance set-aside and close to the national average for the Program Management and Local Assistance set-aside categories.

BPH provides its Program Management set-aside match in cash. The State reported cumulative expenditures of \$8,103,965 for this set-aside category in DWNIMS as of June 30, 2006. BPH has also expended state match funds so that the State has actually expended 136.3% of Federal funds, nearly twice the national average (72.9%). On a cumulative basis, BPH's expenditure of \$8,103,965 for Program Management activities exceeds the total Federal funds provided for this set-aside (\$5,945,612) by \$2,158,353. BPH accounting reflects that of the total amount expended for the Program Management set-aside, \$4,069,470 was drawn from Federal grants (or 68.4% of Federal funds available).

SET-ASIDE UTILIZATION FOR ALL GRANTS Cumulative As of June 30, 2006				
	Technical Assistance	Program Management	Local Assistance	Total
CUMULATIVE AWARDED	\$1,328,715	\$5,945,612	\$7,815,756	\$15,090,083
CUMULATIVE OBLIGATED	\$1,292,697	\$4,243,485	\$4,756,548	\$10,292,730
% OBLIGATED	97.3%	71.4%	60.9%	68.2%
*EXPENDED	\$1,253,240	\$4,069,470	\$4,729,185	\$10,051,895
% EXPENDED	94.3%	68.4%	61.9%	66.6%
% EXPENDED U.S. Average	68.6%	72.9%	61.7%	67.2%

*Source:DWNIMS

Further analysis of the State's progress in expending set-aside funds will be conducted as part of EPA's drinking water program oversight process.

Technical Assistance

Through contract support under the Technical Assistance set-aside, BPH has accomplished the following:

- Provided 6,365 Continuing Education Hours (CEH) of training, including procedures for testing backflow preventers; through the various classes, 608 small systems participated and
- Developed public education programs and other resources on SDWA topics (e.g., elementary school level curricula, brochures and handouts for distribution at conferences and to civic organizations, training videos, public library resources and articles for water system trade magazines).

Program Management

Among the activities BPH has carried out over the past year:

- Completed exam validations as part of the Develop-A-Curriculum for water operators for classifications I – IV;
- Completed 141 sanitary surveys of Subpart H systems to date which exceeds their projection of 138; and
- Facilitated Performance Based Training (PBT) for plant operators, one of the Area Wide Optimization Program (AWOP) tools for which operators receive Continuing Education Units.

Local Assistance

EPA worked with DHHR to develop a Request for Proposals (RFP) for Wellhead Protection Program (WHPP) grants to community water systems. The State has developed a sound RFP with clear requirements for applicants. The RFP process reflects the State's progress in developing its source water protection strategy. During FY 2006 DHHR issued four WHPP grants totaling \$54,377.

Despite positive achievements, the rate of spending of available Program Management and Local Assistance set-aside funds is too low. In accordance with the EPA Regional supplemental set-aside guidance, the State's future set-aside workplans must include schedules and budgets for each activity over a period not to exceed four years. In particular, EPA recommends that BPH consider opportunities to use set-aside funds to support activities which encourage water systems to apply for DWTRF loans and assist loan applicants to move toward loan closing more expeditiously.

Action Item: BPH shall re-assess how existing awarded set-aside funds can effectively be used to increase loan pace (e.g., increased DWTRF program marketing and assistance to loan applicants to reduce time to loan closing) and to support other drinking water program priorities in order to expedite the rate of expenditure of set-aside funds. BPH should review the need for additional funding in the Program Management and Local Assistance set-aside categories from future grants. If these measures do not sufficiently increase the rate of set-aside funds expenditure, BPH should consider transferring surplus set-aside funds to the DWTRF project fund.

OBSERVATIONS

FINANCIAL AREAS REVIEWED

HEALTH OF THE FUND

Capitalization grants and state match earmarked for the DWTRF as of June 30, 2006 totaled \$80,459,640. The overall financial growth of the DWTRF has been good due to the continuation of EPA grants and state match funding. As of June 30, 2006, net assets of the DWTRF loan fund were approximately \$50,040,081, not counting \$55,569,389 in unexpended Federal capitalization grant funds. That is 27 percent over FY 2005 net assets of \$39,496,080. Net assets include \$47,344,282 in EPA grants and state match and \$2,695,799 in net loan and investment interest, and user fees received. Most of the growth in net assets was from the EPA grants and state match received during the year.

The financial health of the West Virginia DWTRF program currently is good. All loans are secured by system revenues and reserves pledged by the borrowing entities. The DWTRF fund account has a strong cash flow. Financial management is sound, the State's internal controls are in place, there is no debt, and there have been no loan defaults. A summary of the financial status of the DWTRF program is shown in the table below:

Financial Health Summary As of June 30, 2006	
Cumulative Federal Grants & State Match	\$80,459,640
Net Assets	\$50,040,081
Loan Repayments	\$5,830,661
Investment Earnings	\$1,518,833
Loan Disbursements	\$43,972,701

The State Treasurer invests DWTRF funds in the Cash Liquidity and Government Money Market Pools managed by the West Virginia Board of Treasury Investments (BTI). BTI investments include very safe securities such as U.S. Government obligations, repurchase agreements, highly-rated corporate bonds, and commercial paper. U.S. Government obligations are secured by the full faith and credit of the U.S. Government. The corporate bonds and other securities have high ratings because they are not likely to default. BTI repurchase agreements are collateralized by U.S. Treasury securities at 102 percent of principal.

The 12 month average yields for the Cash Liquidity and Government Money Market Pools for the FYE June 30, 2006 were:

	Yield*	Basis Points Above Policy Benchmarks
Cash Liquidity Pool	4.17%	7
Government Money Market Pool	4.11%	10

*Source: Board of Treasury Investments Annual Report June 30, 2007

Return on Equity (ROE) is a measure of the growth of capital within the DWTRF. The ROE for the DWTRF was 1.60% for FY 2006, which is an increase over ROE for FY 2005 (1.22%). An ROE of 1.60% for a subsidized lending program that issues loans for rates between 0 and 2% is not unexpected; however, it will not maintain purchasing power if the rate of inflation over time is higher than 1.60%.

BPH prepared long-term, baseline financial projections for the DWTRF based upon current financial policies (e.g., interest rates, loan terms, charging of construction period interest). These projections were compared to the same parameters discounted by the anticipated rate(s) of inflation over the same time period. EPA provided assistance to BPH in using the EPA Financial Planning Model.

The long-term financial projections showed that annual disbursements would rise to approximately \$13,000,000, and the total assets in the DWTRF would be approximately \$190,000,000 unadjusted for inflation over the next 30 years. When adjusted for inflation of 2.5%, the real amounts for annual disbursements and total assets would be approximately \$6,000,000 and \$90,000,000 respectively.

In addition, the relatively low 1.60% ROE indicates that the DWTRF is not sufficiently accumulating capital from its lending and investing activities to achieve significant financial growth. This provides further evidence that most of the financial growth in the DWTRF is due to EPA grants and state match. (See the discussion of "Net Return on Contributed Capital" below.) BPH may wish to review its policies regarding interest rates (e.g., qualifications for zero percent interest loans, relationship between amount of program fees and interest charged).

Of the \$53,545,971 in loans closed through June 30, 2006, \$35,662,080 or 67.0% are considered disadvantaged assistance and have 0% interest for 30 years. The State, however, charges all disadvantaged borrowers 1% administrative fee, with the exception of one loan which is charged a ½% administrative fee. The other third of the loan portfolio pay 2% interest for 20 years; however, interest is not charged during the construction period.

The weighted average interest rate for this loan portfolio is a very low 0.67%. Interest generated from the administrative fees is almost 40% of the amount of interest received from borrowers to date (\$680,756 in administrative fees and \$1,044,034 in loan interest). Under new criteria for providing disadvantaged assistance, the threshold for such assistance will be 1.25% median household income (MHI), down from 1.50%.

Under these criteria, the number of loans made at 0% for 30 years will likely increase, further reducing the portion of the loan portfolio generating revenue for the DWTRF. Note that to date BPH has not expended any of the administrative fees collected.

In light of the cash flow projections adjusted for inflation, BPH may wish to consider changing the terms it provides borrowers that receive disadvantaged assistance to ensure that the DWTRF will continue to provide loan assistance in perpetuity as required by SDWA. Some of the revenue currently being paid into the fee account, especially on 0% loans could be charged as loan interest and deposited into the DWTRF to increase the amount of revenue available in the future to finance new loans and generate real economic growth to the DWTRF.

Action Item: BPH should reconsider its policies and procedures for determining the interest rate terms on DWTRF loans and for assessing program fees.

If requested, EPA is available to assist BPH in undertaking additional financial modeling to better understand various interest rate/program fee scenarios.

DWTRF FINANCIAL INDICATORS

All of the indicators generally demonstrate that the DWTRF program's financial performance is good. The State maintains lending capacity to provide financial assistance into perpetuity. The rate of growth above initial Federal and State contributions is small; however, it is higher than the national average. Funds are not being committed to loans commensurate with EPA expectations. Note that each of the indicators reflects calculations on a cumulative basis:

NIMS Financial Indicators for DWSRF				
Indicator	2004	2005	2006	National Average
Program Pace (Loans as a % of Funds Available)	63%	63%	76%	86%
Return on Federal Investment	132%	138%	131%	173%
Disbursements as a % of Assistance	88%	86%	78%	77%
Net Return After Forgiving Principal	\$1,464,985	\$1,882,647	\$2,562,867	--
Net Return on Contributed Capital	4.7%	5.5%	5.9%	4%

Program Pace (Loans as a % of Funds Available)

The Loans to Funds Available indicator represents the percent of money available in the DWTRF program which has been lent (i.e., executed loans). Although the State's loan pace increased substantially from 63% in 2005 to 76% in 2006, it remains far below the national average (86%). EPA's Strategic Plan includes a program activity measure on "Fund Utilization" which is comparable to the program pace indicator reported in DWNIMS. As discussed in the "Program Pace" section of the PER (page 10), BPH has taken steps to increase the pace of loan issuance. Nonetheless, the State needs to take additional steps to improve pace.

EPA's Strategic Plan includes a program activity measure on "Fund Utilization" which is comparable to the program pace indicator reported in DWNIMS. For FY 2006, EPA's national commitment for this measure was 82.4% and Region 3's national commitment was 83%. The Agency's 2006 National Water Program Guidance, which implements and updates the Strategic Plan, includes national targets of 85% for FY 2007 and 86% for FY 2008. Region 3 has a pace target of 84% for FY 2007 and is developing its 2008 target for this measure.

Return on Federal Investment

The Return on Federal Investment indicator shows the amount of financial assistance or loans disbursed for each dollar of Federal cash draws made on a cumulative basis. The national average for this indicator is 173%. The national average for this indicator for states which have leveraged is 220%; for non-leveraged states it is 127%. For the period covered by this review, the State's performance (131%) was higher than the national average of non-leveraged states and, therefore, is acceptable. Nonetheless, the State's result on this indicator reflects a decrease from 2005 (138%). Increasing the pace of loan closings will positively impact this measure. This indicator measures actual funds disbursements. Therefore, the focus is on the pace of project construction and reimbursement of incurred expenses. For closed loans, the State should regularly monitor project construction and, as appropriate, assist loan recipients resolve construction delays.

Disbursements as a Percentage of Assistance

Loan Disbursements as a Percentage of Assistance Provided shows the speed at which funds are disbursed to closed loans. It is calculated by dividing cumulative loan disbursements by cumulative assistance provided. The value of the indicator ranges from 0% to no more than 100%. Although it decreased during FY 2006, BPH (78%) is still above the national average (77%). This shows that, although BPH is not closing loans at the expected pace, when it closes loans, BPH is timely in disbursing funds and completing projects.

Net Return after Forgiving Principal

Net Return after Forgiving Principal, also called Net Return, shows the net earnings of the DWSRF after loan principal has been forgiven. The Net Return indicator shows how well the DWSRF is maintaining invested or contributed capital. The operating earnings are calculated first by subtracting the net bond interest expenses. Then match bond principal and loan principal forgiven are subtracted from these earnings to yield the net return to the DWTRF. West Virginia does not issue bonds to generate its state match and does not offer principal forgiveness on loans. (If provided, loan forgiveness would be a reduction in the amount of contributed capital or an expense against operating revenues.) The Net Return indicator shows how well the DWTRF is maintaining invested or contributed capital. Note that performance is expected to be a net positive return. The net return increased by 28% from 2004 to 2005, and by 36% from 2005 to 2006.

Net Return on Contributed Capital

Net Return on Contributed Capital gives context to the Net Return indicator by comparing the net return of the DWTRF to the dollar amount of contributed capital. It is calculated by dividing the Net Return by cumulative contributed capital and expressed as a percentage. Another way of stating this rate is that as of June 30, 2006, the DWTRF returned approximately \$1.06 for each dollar of contributed capital invested. Contributed capital is equal to total Federal cash draws less set-aside expenses plus state match deposited into the DWTRF. BPH has a net return on contributed capital that is above 0% and above the national average of 4%. This indicates that the DWTRF is accumulating capital on the initial EPA and State contributions.

AUDITS OF THE FUND

On August 18, 2006, the independent certified public accountants (CPAs) issued their opinion on the DWTRF audited financial statements which includes the State construction loan portion of the BPH DWTRF. The auditors expressed an unqualified opinion on these financial statements, indicating that they are fairly presented and conform to generally accepted accounting principles.

As part of their audit, the CPAs performed a Single Program Audit of the State's Federal financial assistance in accordance with generally accepted governmental auditing standards and Office of Management and Budget (OMB) Circular A-133 and issued that report on the same date as the financial statements. There were no notes or disclosures indicating any deficiencies in the State's accounting system or internal controls. The audit, however, contained one finding of non-compliance with Federal regulations:

2006-1 Sub-recipient Monitoring

FYE June 30, 2005: three sub-recipient audits with continuing compliance requirements had not been received as of the date of the audit report.

FYE June 30, 2004: one sub-recipient audit with continuing compliance requirements had not been received as of the date of the audit report.

The CPAs recommended that the State continue to monitor the status of these required audit reports and provide technical assistance to ensure that management and the governing body of the borrowers understand the importance of filing timely audit reports. No costs were questioned by the CPAs as a result of this finding.

During the on-site review, EPA reviewed the State's corrective action plan to address these findings.

The West Virginia Water Development Authority (WDA) provided information that showed that none of the three borrowers identified in the above findings received at least \$500,000 in Federal financial assistance from the DWTRF in 2004 or 2005. The one borrower for FYE 2004 included in the CPAs' finding above did not receive at least \$500,000 in Federal financial assistance from the DWTRF in 2004. There are on-going discussions between EPA and WDA to clarify the finding.

EPA discussed this matter with the CPAs and WDA further. The CPAs believe that OMB A-133 requires audits of the four borrowers because they were subject to "continuing compliance" requirements imposed by the DWSRF grants. EPA will consider the CPAs' comment and obtain clarification from EPA Headquarters.

EPA is satisfied that the State's actions have improved sub-recipient audit compliance, and will continue to improve compliance with the OMB A-133 sub-recipient audit requirements.

Action Item: EPA will obtain a determination from Headquarters regarding whether DWSRF Federal financial assistance results in continuing compliance requirements that may require assistance sub-recipients to prepare and submit to the State single audits in fiscal years where the sub-recipients receive less than \$500,000 in DWTRF assistance.

The FY 2006 DWTRF set-aside costs were not included in a separate FY 2006 audit; however, the FY 2006 West Virginia Statewide Single Audit has been issued. It included finding 2006-1 discussed above (2006-36 in the Single Audit) and BPH's corrective action plan. The Single Audit covers both set-aside and project loan expenditures. Total FY 2006 Federal expenditures related to the DWTRF program identified in the Single Audit were \$8,433,336.

SET-ASIDE ACCOUNTING AND INTERNAL CONTROLS

During the annual review, EPA assessed BPH's accounting and reporting of set-aside costs incurred to assure that BPH and DHHR are properly recording allowable set-aside costs to the DWTRF grants.

BPH has established separate fund accounts for each set-aside category (as well as for the loan projects). EPA testing of selected set-asides disbursements disclosed that BPH has a good accounting and financial reporting system to properly report eligible grant costs.

EPA met with DHHR accounting and finance officials during the on-site review to discuss their roles in ensuring the integrity of DWTRF expenditures, cash draws, and grant balances. These officials explained briefly their procedures and controls over DWTRF grant funds. Generally, EPA is satisfied that DHHR is providing adequate oversight of BPH's financial management of the DWTRF. EPA will continue to monitor procedures and controls for DWTRF grant set-aside funds.

FINANCIAL CAPABILITY

As of June 30, 2006, the State had closed 28 DWTRF loans totaling \$53,545,971, of which \$37,187,046 was outstanding as loans receivable. EPA has assessed the State's procedures for performing credit analyses of the borrowers prior to loan closing.

EPA did not review any new loans for FY 2006 on the basis of the results of prior reviews and information contained in the annual audited financial statements. The State has an effective system for determining the financial, technical, and managerial capability of borrowers to comply with SDWA and repay their loans on time. There have been no loan defaults of principal or interest.

LOAN MONITORING

EPA reviewed the State's loan compliance monitoring program procedures and found them effective. The system includes a review of the Municipal Bond Commission (MBC) collection reports on each of BPH's loans, the annual budgets of all borrowers, and annual financial statement audits for all of borrowers. In addition, required Single Audits are reviewed and any findings and recommendations resolved.

Of particular interest is the State's requirement that most projects receiving assistance from the State be reviewed by, and receive a certificate of convenience and necessity from, the Public Service Commission prior to loan closing. In addition, the

State uses the MBC as the collection agent on all loans. The MBC's rate coverage and debt service reserve requirements reduce the likelihood of delinquencies or loan defaults.

To determine how well the State is maintaining its loan monitoring system, EPA interviewed State staff, reviewed procedures and the borrower audit tracking sheets, and selected the following loans for review:

Loan Monitoring Review			
Borrower	Project Number	Amount	Quarterly Payment (Principal & Interest)
Shepherdstown A	SHEW103AJE12	\$ 699,459	\$ 5,829
Shepherdstown B	SHEW103BJE12	1,300,541	19,764
Total		\$2,000,000	\$25,593

As discussed in the "Audits of the Fund" section above, some audits have not been received by WDA in a timely manner. The audits tracking sheet included in the FY 2006 DWTRF Annual Report showed that no required FY 2005 borrower audits had been received as of June 30, 2006. WDA and BPH have been working to improve the timeliness of these audits. WDA reviewed the audit received for Shepherdstown and completed the audit checklists.

EPA's review of the completed checklists, follow-up correspondence, and other reports found that the State is maintaining an effective system of monitoring DWTRF borrowers. The one area in need of improvement is the timely receipt of required financial audits.

DISBURSEMENTS AND COLLECTION OF LOANS RECEIVABLE

EPA reviewed BPH's (and WDA's) loans receivable and collections accounting to determine whether:

- Disbursements had been properly added to the loans receivable balances;
- Principal and interest collections had been deposited into the DWTRF fund in a timely manner and for the proper amounts as determined by the note or bond document; and
- Transactions had been properly recorded in the DWTRF loan accounting system.

EPA tested two loan disbursements totaling \$1,481,104 for the two borrowers listed below, of a total of FY 2006 DWTRF loan disbursements of \$10,817,515 made on all DWTRF loans:

Disbursements Reviewed			
Borrower	Loan No.	Date	Total Disbursements
Gilmer Co. PSD	01DWTRF012	12/30/05	\$360,839
City of Kenova	03DWTRF028	6/23/06	1,120,265
Total			\$1,481,104

The review found that these disbursements had been posted for the correct amounts to the DWTRF loan accounting system in a timely manner.

EPA reviewed loan principal and interest collections for the following borrowers:

EPA Loans Reviewed for Collections			
Borrower	Principal	Interest	Total
Shepherdstown A	\$5,829.00	\$ 0.00	\$5,829.00
Shepherdstown B	13,733.00	6,031.52	19,764.52
Total	\$19,562.00	\$6,031.52	\$25,593.52

All transactions were posted to the loans receivable account for the correct amounts as prescribed in the bonds and amortization schedules governing these agreements. EPA found that all of the selected repayments had been properly deposited into the DWTRF in a timely manner. On the basis of its review, EPA concludes that BPH generally has an effective system for properly accounting for and controlling loan disbursements and repayments.

OBSERVATIONS

GRANT COMPLIANCE AREAS REVIEWED

PAYMENTS

Consistent with the payment schedules in the grant agreements, during FY 2006 EPA released and the State accepted Federal payments totaling \$7,471,642 from the Automated Standard Application for Payments (ASAP) account. Of this amount, \$5,522,829 was for projects and \$1,948,813 was for set-asides. Cumulative payments as of June 30, 2006, totaled \$60,075,096: \$43,847,455 for projects and \$16,227,641 for set-asides.

UNEXPENDED GRANT BALANCES

There is increasing attention in Congress, OMB, and the Government Accountability Office (GAO) as well as within the Agency regarding unobligated balances in open grants. In the DWSRF program, this concern covers both infrastructure and set-aside funding. There is a growing perception that if funds are not drawn from grants within a reasonable timeframe, additional Federal funding for the program may not be needed.

Federal grant programs, other than the DWSRF program, generally have performance periods which reflect the expectations that Federal dollars will be spent within one to two years. Congressional and Agency concerns regarding unobligated funds on old grants in these other Federal grant programs have resulted in questions being raised regarding the unexpended balances on DWSRF grants. There has also been discussion about the possible recovery and reallocation of Federal funds available in older or expired grants.

Current DWSRF rules and procedures reflect a multi-year timeframe for infrastructure project construction. However, with the additional recent scrutiny from the OMB, GAO, EPA Office of Comptroller, and others of Federal grants programs with respect to unexpended funds, this timeframe could be perceived as a concern for the DWSRF program nationally. As yet, EPA has not issued national guidance to the states regarding targets for reducing grant balances or changes in program rules with respect to grant award or funds management. While state practice may be consistent with current EPA SRF rules and guidance, there nonetheless may be a perception by Congress and others that additional funds may not be needed if previously awarded grant funds are not expeditiously expended.

EPA encourages states to consider drawing funds from their DWSRF grants on a “first in-first-out” basis. Through such accounting, Federal dollars are drawn from the oldest grant first even if projects were included on IUPs associated with later grants, thus ensuring that funds from older grants are drawn first.

With respect to infrastructure project funds, of the five grants open at the time of the review, the 2003, 2004 and 2005 awards showed large available fund balances. After the review period, all project funds on the 2003 grant were expended. While the State has made progress in reducing the available balances from the 2003 and 2004 grants, there have been only small draws for set-aside activities against the 2005 grant. The State should draw funds from the FYs 2003 and 2004 grants expeditiously for current projects.

With respect to set-aside funds, while there were large balances of undrawn funds remaining in the 2003–2005 open grants as of June 30, 2006, the State has made progress in reducing the set-aside balances. Consistency with planned spending as outlined in the State’s set-aside work plans will be reviewed as part of the overall State drinking water program oversight. Note that the FY 2003 grant expired on June 30, 2007. EPA’s understanding was that the State would expend funds in the FY 2003 grant prior to the expiration date and that no grant extension would have been necessary. However, there is a balance of \$11,742.61 on the FY 2003 grant. The balance of the FY 2003 must be expended and drawn down no later than September 30, 2007.

Fund Balances in Active DWTRF Grants – As of June 30, 2006					
Grant Year	Project \$ Awarded	Project \$ Remaining	Set-Aside \$ Awarded	Set-Aside \$ Remaining	Grant End Date
*2001	5,352,330	0	2,404,670	4,044	12/31/2006
*2002	5,374,479	383,866	2,411,521	167,321	12/31/2006
2003	5,556,225	5,556,225	2,496,275	753,979	6/30/2007
2004	5,522,829	5,522,829	2,481,271	2,481,271	6/30/2008
2005	5,729,139	5,729,139	2,573,961	2,573,961	8/31/2009
Total	27,535,002	17,192,059	12,367,698	5,980,576	

*The 2001 and 2002 grants were closed after the review period.

Fund Balances in Active DWTRF Grants – As of July 16, 2007					
Grant Year	Project \$ Awarded	Project \$ Remaining	Set-Aside \$ Awarded	Set-Aside \$ Remaining	Grant End Date
2003	5,556,225	0	2,496,275	11,743	6/30/2007
2004	5,522,829	2,147,276	2,481,271	1,184,415	6/30/2008
2005	5,729,139	5,729,139	2,573,961	2,376,212	8/31/2009
Total	16,808,193	7,876,415	7,551,507	3,572,370	

In response to concerns raised by the internal and external oversight organizations, EPA has not yet reassessed SRF guidance and procedures regarding expeditious grant expenditures. If additional national guidance is developed regarding expectations or methods to reduce grant balances, EPA will provide it to the State. Similarly, EPA will inform the State regarding on-going DWSRF oversight by various Federal agencies. However, even if EPA does not provide additional SRF-specific guidance with respect to reducing unliquidated grant funds, the State should take appropriate steps to expeditiously use DWTRF funds to avoid the appearance that funds are not needed.

Action Item: BPH should take appropriate steps to expedite expenditure and cash draws of Federal funds available for the DWTRF program.

STATE MATCH

BPH met the 20% state match requirement for projects. Based on cumulative Federal payments as of June 30, 2006, the required match was \$11,749,320. As of June 30, 2006, the State had deposited \$13,409,940 into the Fund, as shown in the State's FY 2006 Annual Report. This agrees with the amount reported in DWNIMS.

Under the Program Management set-aside, BPH was required to provide \$1,074,425.09 in state match funds based on disbursements made during FY 2006. The State provided \$1,074,425.09 as shown in the State's FY 2006 Annual Report. This agrees with the amount reported in DWNIMS.

BINDING COMMITMENTS

Total BCs required as of June 30, 2006 were \$48,473,126 based on Federal grant payments of \$38,324,626 and state match of \$10,148,500. Actual BCs as of June

30, 2006 were \$54,310,435. The State exceeded the required BC amount by \$5,837,309. The State complied with the BC requirement for each quarter of FY 2006.

FINANCIAL STATUS REPORTS

BPH reported \$9,944,403.29 in Federal outlays on the FSRs submitted for the reporting period July 1, 2005 to June 30, 2006. The amount of net disbursements reported on the FCTRs was \$9,923,391.07. This results in a difference of \$21,012.22 between the two reports. The FSRs are reported on a cash basis. BPH must provide EPA with the information needed in order to reconcile the two reports.

ACTION ITEM: BPH must provide EPA with supporting documentation so that EPA is able to reconcile the FSRs and FCTRs.

FEDERAL CASH TRANSACTION REPORTS

The State's FCTRs showed capitalization grant receipts of \$9,923,391.07. EPA grant payment records, however, show \$8,373,583.07 – a difference of \$1,549,808. This difference is due to timing. The State accounted for two drawdowns (\$383,866 and \$1,165,942) during State FY 2006. EPA grant payment records, however, show these two drawdowns occurring during State FY 2007.

ADMINISTRATIVE COSTS

The State's FY 2006 Annual Report (Appendix C-2) shows administrative expense disbursements of \$233,409.50 for the year and \$1,819,571.56 cumulatively. These amounts, however, do not agree with the amount reported in DWNIMS (\$235,975, annual; \$1,821,294, cumulative). The differences between the two reports are (\$2,565.50, annual; \$1,722.44, cumulative). Notwithstanding the differences in the annual and cumulative amounts reported in the Annual Report and DWNIMS, cumulative administrative costs represent 2.72% of the total capitalization grants awarded to BPH. This is within the 4% ceiling set by SDWA.

ACTION ITEM: BPH must make the necessary adjustments regarding administrative costs between the Annual Report and DWNIMS and provide to EPA corrected reports.

DRINKING WATER NATIONAL INFORMATION MANAGEMENT SYSTEM

BPH submitted DWNIMS data to EPA on August 29, 2006. EPA commends BPH for submitting the DWNIMS data in a timely and efficient manner. BPH entered data for the appropriate compliance categories for all DWTRF loans, resolving an action item from the 2005 PER.

ANNUAL REPORT

Although the State's OA with EPA stipulates Biennial Reports, the State has been submitting Annual Reports. BPH submitted its Annual Report on December 12, 2006 after EPA approved the State's request for an extension. The report complied with SDWA, DWSRF regulations, and Region III Supplemental Guidance and included:

- All of the required compliance statements;
- Complete and accurate financial charts; and
- A description of how the short-term and long-term IUP goals were fulfilled.

The Annual Reports facilitate discussion during the on-site review. EPA commends BPH for reporting more frequently than is required.

RECOMMENDATIONS AND REQUIREMENTS

ACTION ITEMS FOR BPH

1. BPH shall submit a program pace implementation plan which identifies the priorities and schedule for carrying out the recommendations in the report "Increased Utilization of West Virginia's Drinking Water Treatment Revolving Fund." (Page 10)
2. BPH shall re-assess how existing awarded set-aside funds can effectively be used to increase loan pace (e.g., increased DWTRF program marketing and assistance to loan applicants to reduce time to loan closing) and to support other drinking water program priorities in order to expedite the rate of expenditure of set-aside funds. BPH should review the need for additional funding in the Program Management and Local Assistance set-aside categories from future grants. If these measures do not sufficiently increase the rate of set-aside funds expenditure, BPH should consider transferring surplus set-aside funds to the DWTRF project fund. (Page 15)
3. BPH should reconsider its policies and procedures for determining the interest rate terms on DWTRF loans and for assessing program fees. (Page 18)
4. BPH should take appropriate steps to expedite expenditure and cash draws of Federal funds available for the DWTRF program. (Page 27)
5. BPH must provide EPA with supporting documentation so that EPA is able to reconcile the FSRs and FCTRs. (Page 27)
6. BPH must make the necessary adjustments regarding administrative costs between the Annual Report and DWNIMS and provide to EPA corrected reports. (Page 28)

ACTION ITEMS FOR EPA

1. EPA will review BP's proposed amendments to the OA and work with the State to adopt the amended OA. (Page 12)
2. If requested, EPA is available to assist BPH in undertaking additional financial modeling to better understand various interest rate/program fee scenarios. (Page 18)

3. EPA will obtain a determination from Headquarters regarding whether DWSRF Federal financial assistance results in continuing compliance requirements that may require assistance sub-recipients to prepare and submit to the State single audits in fiscal years where the sub-recipients receive less than \$500,000 in DWTRF assistance. (Page 21)

PRIOR YEAR ACTION ITEMS

ACTION ITEMS FOR BPH

1. BPH shall include one or more success stories in future Biennial/Interim Annual Reports.
Resolved.
2. BPH shall prepare a brief report which: (1) analyzes the factors which impact the pace of loan execution and the fund utilization rate and (2) identifies recommendations to improve performance.
Resolved.
3. In accordance with the EPA Regional supplemental set-aside guidance, the State's future set-aside workplans will include schedules and budgets for each activity over a period not to exceed four years.
Resolved.
4. In accordance with the EPA Regional supplemental set-aside guidance, the State will compare actual set-aside expenditures and deliverables to projections included in DWTRF set-aside workplans. The State shall include this analysis in future drinking water semi-annual progress reports and DWTRF Interim Annual/Biennial Reports.
Resolved.
5. BPH shall confirm the cumulative amounts obligated and expended for the Program Management set-aside as of June 30, 2005.
Resolved.
6. BPH will enter data for all compliance categories for all DWTRF loans, both for the current reporting cycle and for all loans made in past years, no later than the FY 2006 DWNIMS data entry period.
Resolved.

ACTION ITEMS FOR EPA

1. EPA will review BPH's proposed amendments to the OA.
Not Resolved.
2. EPA shall revise and release the supplemental Regional set-aside management guidance.
Resolved.